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FILED

AUG 15 1994

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MARIN COUNTY CLERK
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7
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 FOR THE COUNTY OF MARIN

10 CHURCH OF SCIENTOLOGY INTERNATIONAL,)
a California not-for-profit)
11 religious corporation,)
12)
Plaintiff,)
13 vs.)
14 GERALD ARMSTRONG; MICHAEL WALTON;)
THE GERALD ARMSTRONG CORPORATION)
15 a California for-profit)
corporation; DOES 1 through 100,)
16 inclusive,)
17 Defendants.)

No. 157 680

EVIDENCE IN SUPPORT OF
GERALD ARMSTRONG'S MOTION
FOR SUMMARY JUDGMENT, OR,
IN THE ALTERNATIVE, FOR
SUMMARY ADJUDICATION OF
ISSUES

Date: September 9, 1994
Time: 9:00 a.m.
Dept: One
Trial Date: 9/29/94

19
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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF LOS ANGELES

--oOo--

CHURCH OF SCIENTOLOGY INTERNATIONAL,
a California not-for-profit religious
corporation,

COPY

Plaintiff,

vs.

No. BC 052395

GERALD ARMSTRONG; DOES 1 through 25,
inclusive,

Defendants.

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HUB LAW OFFICES

DEPOSITION OF

GERALD ARMSTRONG

Wednesday, July 22, 1992

Volume II, Pages 179 - 293

REPORTED BY: KATHERINE NG, CSR NO. 6350

MARY HILLABRAND INC.

CERTIFIED SHORTHAND REPORTERS

520 SUTTER STREET / off UNION SQUARE SAN FRANCISCO, CA 94102

PHONE 415 / 788-5350 FAX 415 / 788-0657

- 1 A. No.
- 2 Q. Did you give any of it to Michael Walton?
- 3 A. Yes.
- 4 Q. Why did you give it away?
- 5 A. Because I considered that I was guided to do
- 6 so.
- 7 Q. By whom?
- 8 A. The source of all that is.
- 9 Q. Who is that?
- 10 A. God.
- 11 Q. Now, when God guided you to give away all your
- 12 assets, did he guide you to give them to particular
- 13 people or did you make that decision?
- 14 A. I believe that I was guided each step of the
- 15 way.
- 16 Q. Okay. When you say you gave it away, I take it
- 17 you didn't receive anything in return in terms of
- 18 monetary compensation?
- 19 A. Right.
- 20 Q. Can you tell me why you decided to give some of
- 21 it to Michael Walton?
- 22 A. Because it was logical.
- 23 Q. Why?
- 24 A. And because it was so guided.
- 25 Q. Can you tell me what about it was logical?

1 A. I guess initially it's logical because he was a
2 friend of mine in close proximity to me, and I believed
3 that he had a need at that time.

4 Q. Okay. What did you give him?

5 A. I decline to comment to answer that. I don't
6 see how it fits into this, other than the fact that I
7 gave everything away.

8 Q. I won't press that at this point, but it will
9 be relevant.

10 Q. What did you have in August of 1990 that you
11 gave away?

12 A. Cash, property, stock, rights and debts owed to
13 me.

14 Q. Okay. Let's start with the cash. How much
15 cash did you give away?

16 A. I don't think that that's appropriate for me to
17 get into. I decline to answer.

18 Q. Well, I'll tell you why it's relevant. And if
19 it isn't, it can be made relevant by the complaint.
20 Under the Fraudulent Conveyance Act, fraudulent
21 conveyances are defined in a number of ways, including
22 transfers without considerations, which these are by
23 virtue of Mr. Armstrong's testimony.

24 A. By which you mean therefore every donation made
25 by every Scientologist is of necessity a fraudulent

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

--oOo--

CHURCH OF SCIENTOLOGY)
INTERNATIONAL, a California)
not-for-profit religious)
corporation,)
)
Plaintiff,)
)
vs.)
)
GERALD ARMSTRONG; and)
DOES 1 through 25, inclusive,)
)
Defendants.)
-----)

ORIGINAL

Case No. BC 052395

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DEPOSITION OF MICHAEL WALTON

Pages 1 - 61

Taken before CHRIS DE GEORGE

California CSR License No. 7069

February 24, 1993

--oOo--

1 my lawyer files and I don't know if they belong --
2 some of them, I'm sure, belong to Gerald Armstrong.

3 Q. Let's exclude those.

4 A. No.

5 Q. So excluding attorney-client files, you
6 hold no property for or on behalf of Gerald
7 Armstrong.

8 A. No.

9 Q. And he's never transferred any property
10 to you.

11 A. Yes, he has.

12 Q. What has he transferred to you?

13 A. He transferred his interest in Fawn
14 Drive to me.

15 Q. And what consideration did you pay him
16 for that?

17 A. None.

18 Q. It was a gift?

19 A. Yes.

20 Q. And when did that occur?

21 A. I think it was around the time of the
22 Desert Storm. I don't -- I really don't -- I'm not
23 quite sure. I can tell you it was -- it was
24 approximately a year before the -- No, I can't tell
25 you that either. I'm not really sure.

1 Q. Do you know why he transferred it to
2 you?

3 A. I know what he told me.

4 Q. What did he tell you?

5 A. I'm trying to remember it. Let me think
6 about it and see if I can remember under what
7 circumstances.

8 I don't believe this has any relation to
9 any representation. Jerry told me that he'd had a
10 vision from God.

11 Q. That's it?

12 A. That's the reason. That's when he
13 divested of all property that I know of.

14 Q. Where is Jerry living now, do you know?

15 A. No, I don't. I think he's living on Sir
16 Francis Drake. 711, I think.

17 Q. That's one of the -- that's either
18 adjacent to or the office where Ford Greene has his
19 practice?

20 A. That's my understanding although I've
21 never been there.

22 Q. Other than Fawn Drive, did Mr. Armstrong
23 give you any other property at that time?

24 A. Yes.

25 Q. What else?

1 A. A dining room table and I think a
2 ladder.

3 Q. Let's forget about the dining room table
4 and the ladder. That's it, just the dining room
5 table, the ladder and the house; is that right?

6 A. Yes.

7 Q. No cash?

8 A. No, there was a cash fund that was set
9 up to run the house for a year and that -- my name
10 was already on that although it was my understanding
11 that it was -- it was to be transferred and still to
12 be used for the house if I wanted it.

13 Q. You and Mr. Armstrong became involved in
14 a partnership that owned 711 Fawn Drive, is that
15 right? I got the address wrong. Let's just call it
16 Fawn Drive.

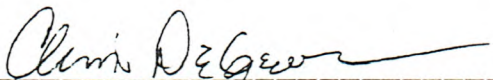
17 A. Well, at this point you know I have to
18 -- I made a judgment to -- At some point this
19 invades my right of privacy, personal privacy. I'm
20 not sure what my -- my dealings with Mr. Armstrong
21 have to do with this litigation. When I asked
22 Ms. Bartilson, she said there was some concern that
23 he had fraudulently transferred property and I'm not
24 sure how that -- I didn't -- I haven't read the
25 pleadings but I haven't seen any allegations of

STATE OF CALIFORNIA)
)

1 I, the undersigned, a Certified Shorthand
2 Reporter of the State of California, hereby certify
3 that the witness in the foregoing deposition was by
4 me duly sworn to testify to the truth, the whole
5 truth, and nothing but the truth in the within-
6 entitled cause; that said deposition was taken at
7 the time and place therein stated; that the
8 testimony of said witness was reported by me, a
9 Certified Shorthand Reporter and a disinterested
10 person, and was thereafter transcribed under my
11 direction into typewriting; that the foregoing
12 is a full, complete and true record of said
13 testimony; and that the witness was given an
14 opportunity to read and, if necessary, correct said
15 deposition and to subscribe the same.
16

17 I further certify that I am not of counsel or
18 attorney for either or any of the parties in the
19 foregoing deposition and caption named, nor in any
20 way interested in the outcome of the case names in
21 said action.

22 IN WITNESS WHEREOF, I have hereunder set my
23 hand and affixed my signature this 1st day of March,
24 1993.

25 
CHRIS DEGEORGE, CSR #7069

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF MARIN

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CHURCH OF SCIENTOLOGY,)
INTERNATIONAL, A California)
Not-For-Profit Corporation,)

Plaintiffs,)

vs.)

- GERALD ARMSTRONG, MICHAEL)
WALTON, et al.,)

Defendants.)

CERTIFIED COPY

No. 157 680

DEPOSITION OF

GERALD ARMSTRONG

---o0o---

Thursday, March 17, 1994

REPORTED BY: Sheenagh M. Carlson, CSR NO. 8350

1 Q. Okay. You don't recall; is that --

2 A. No, it wasn't, wasn't a huge amount,
3 if it was.

4 Q. So if you had some, it was some
5 fairly minor amount, a few thousand dollars?

6 A. Something like that.

7 Q. All right. You had, whatever cash
8 you had you had in the Fawn Drive house. What
9 other assets did you have at that time?

10 A. I had the corporation.

11 Q. Okay. Your interest in TGAC?

12 A. Right. Right. And I was owed some
13 money, and I had some cash flow from payments which
14 were made to me.

15 Q. Is that the same thing, you were
16 owed money and had cash flow from the payments that
17 were made or two separate things?

18 A. Right, that's the cash you're
19 looking for.

20 Q. Who owed you what?

21 A. Without getting into any names,
22 there was an individual who owed me about 16.

23 Q. Thousand?

24 A. Yes. There was another individual
25 who owed me 30. There was another, a family who

1 owed me about 20,000. And there was another couple
2 who owed me -- um, I'm not sure how much it is. I
3 believe somewhere between 70 and 100. Something
4 like that.

5 Q. Okay. Now, were all those amounts
6 eventually paid back to you?

7 A. No.

8 Q. All right. Let's take the first
9 individual with the 16,000. How much of that was
10 not paid back?

11 A. The majority.

12 Q. Do you have -- that could be
13 anywhere from 8,000 and up. Do you have any better
14 idea than that?

15 A. Probably my recollection is about 15
16 of the 16 were not paid back.

17 Q. Can you tell me who that is, please,
18 the person's name?

19 A. I know you'd like to make it
20 relevant for this case, but I don't want to make
21 all these people the target of your organization.

22 Q. I'd still like to know the name.

23 A. I know you'd like to, but I don't
24 think that it's right to do that. I know that
25 you'll add them in and I know you'll try to break

1 them financially and I know you'll try to make
2 their life miserable. I know you'll try to get to
3 me by getting to them.

4 Q. Well --

5 A. And I know that you know that your
6 fraudulent conveyance lawsuit is fraudulent.

7 MR. GREENE: Just answer the
8 question, Gerry.

9 THE WITNESS: I don't want to answer
10 that question.

11 MR. WILSON: Can I -- can you please
12 instruct the witness to answer the question?

13 MR. BENZ: Okay.

14 MR. WILSON: I haven't even heard an
15 objection.

16 MR. BENZ: There isn't an objection.

17 MR. GREENE: I'll object on the
18 basis of relevance.

19 MR. WILSON: Well, I think --

20 MR. BENZ: Mr. Wilson?

21 MR. WILSON: I think it is relevant.
22 I'm entitled to find out whether the forgiveness of
23 that obligation might be a fraudulent conveyance.
24 Notwithstanding Mr. Armstrong's polemics, that's
25 all we intend to do. And we have no intent to

1 harass anyone or bring them in unless it appears
2 there was a fraudulent conveyance. But merely
3 Mr. Armstrong telling me that he made a loan and it
4 didn't get paid back and he won't tell me the name
5 isn't really enough.

6 MR. GREENE: It's also not related
7 to the allegations of the complaint.

8 MR. WILSON: No, the complaint
9 contains allegations of fraudulent conveyance and I
10 suppose -- we went through this before. We can
11 allege that there may be other fraudulent
12 conveyances that we don't know about. It's very
13 common in litigation where you have one claim and
14 you find out that you may have others that are
15 similar.

16 MR. BENZ: I think in this case
17 Plaintiff is entitled to know the name of the
18 party. So, the witness is directed to answer the
19 the question.

20 THE WITNESS: Okay.

21 BY MR. WILSON:

22 Q. What's his name, please?

23 A. Jerry Solfvin.

24 Q. Can you spell that?

25 A. S-O-L-F-V-I-N.

1 Q. You went too fast for me. Spell the
2 last name.

3 A. S-O-L-F-V-I-N.

4 Q. And do you know where he lives,
5 where I can find him?

6 A. I believe Oakland, California.

7 Q. Okay. Now, has there been a formal
8 agreement between you and Jerry to forgive the
9 indebtedness or is it that you just haven't pursued
10 it?

11 A. I wrote him.

12 Q. What did you tell him when you wrote
13 him?

14 A. I wrote him and said that I forgave
15 his debt to me.

16 Q. Okay. When did you do that?

17 A. August 1990.

18 Q. All right. If you wanted to find
19 that letter, could you do so?

20 A. I think so.

21 Q. Okay. Does the letter have the
22 amount that's forgiven or does it say I forgive
23 your debt?

24 A. It doesn't have the amount.

25 Q. Okay. Fair enough. Let's go to the

1 second individual. Who is that, please?

2 A. I'm not sure.

3 Q. The person that you owed 30,000,
4 that owed you \$30,000? Actually, there's -- yes.
5 Who is that?

6 MR. GREENE: Same objection,
7 relevance. Not relevant to the allegations of the
8 complaint.

9 MR. BENZ: Same ruling.

10 THE WITNESS: Michael Walton.

11 BY MR. WILSON:

12 Q. Okay. Did you write him in August
13 of 1990 and forgive the rest of this too?

14 A. Uh-huh.

15 Q. Do you remember how much it was?

16 A. How much what was?

17 Q. How much the balance was. You
18 loaned him 30, how much was owed?

19 A. I don't, I don't know then.

20 Q. Do you have an approximate number?

21 A. I, it was close to that.

22 Q. All right. Now, you said there's a
23 family that you owed, that you loaned 30,000 too.
24 Who was that?

25 A. The Dawsons.

1 Q. And where are they?
2 A. Massachusetts.
3 Q. Okay. What are their first names,
4 if you --
5 A. Um, Iolna, I-O-L-N-A.
6 Q. Uh-huh.
7 A. And then there are some children
8 involved.
9 Q. Did you write to her in August of
10 1990 and forgive the balance of that debt?
11 A. Yes.
12 Q. And was it approximately 30,000?
13 A. Something like that.
14 Q. All right. I didn't ask you this
15 question about the letter to Mr. Walton and the
16 letter to the Dawsons. If you looked for those
17 letters, could you find it?
18 A. I think so.
19 Q. The final one that you mentioned was
20 a couple that you loaned 70 or \$100,000 to. Who
21 was that?
22 A. The Douglasses.
23 Q. The Douglasses?
24 A. Yes.
25 Q. That's Michael and Kimit?

1 A. Kim.

2 Q. Kima?

3 A. K-I-M.

4 Q. Okay.

5 A. Then there's another one too.

6 Q. I'm not finished with that one. I

7 appreciate your volunteering, but did you also

8 write them in August of 1990 telling them you

9 forgave the debt?

10 A. Right.

11 Q. And you could find that letter if

12 you looked for it?

13 A. I believe so.

14 Q. Okay. You said there was someone

15 else?

16 A. Lorrie Eaton.

17 Q. Okay.

18 A. L-O-R-R-I-E, E-A-T-O-N.

19 Q. And how much was your loan to her?

20 A. I'm not sure. A few thousand.

21 Q. Five or six or seven?

22 A. Something. I don't know.

23 Q. All right. And did you forgive that

24 in August of 1990?

25 A. Yes.

1 Q. Wrote her a letter?
2 A. Uh-huh.
3 Q. And you could find it if you looked
4 for it?
5 A. I think so.
6 Q. All right. I'd like to go back to
7 1986 when you settled with the church?
8 A. I'd like to, too.
9 Q. So would the church. Do you recall
10 when it was that you got the settlement payment
11 from Mr. Flynn, approximately?
12 A. Sometime in December.
13 Q. Okay. Do you remember how much it
14 was?
15 A. I think it came out to 518
16 something.
17 MR. WALTON: Could I, could I make
18 an objection here regarding the relevance of all
19 this stuff that's pre-1990 I believe is when, is it
20 1990, the date that the complaint alleges that
21 there was a grievous behavior on the part of
22 Mr. Armstrong? And all this stuff before, I'm not
23 sure what is -- it's sort of like, not only does it
24 seem to be irrelevant, but it seems to me, it looks
25 like they are trying to do a sort of asset check

1 before there's a judgment here.

2 MR. WILSON: Well, the relevance is
3 essentially the same relevance as the names of the
4 people he owed money to. We know of one conveyance
5 that we believe is fraudulent. We may have found
6 out about some others and there may be even more.

7 MR. WALTON: There may be more, but
8 certainly if we're talking about your definition of
9 fraudulent conveyance, which you've written about a
10 number of times, the fraudulent conveyance makes
11 you a creditor at the time there's a difficulty
12 that's arisen and a right to claim yourself as a
13 creditor. In 1986 or 1985, or '87, '88 or '89,
14 you -- there's no claim anywhere that there was
15 anything that would have given rise to creditor
16 status at that time.

17 MR. WILSON: Well, that isn't really
18 the issue. The issue is what, if you don't know
19 what the person's assets were, you don't know what
20 questions to ask to find out whether there were
21 fraudulent conveyances. And this is discovery;
22 this isn't a trial. So whether, whether it's
23 relevant at trial is not at issue here. It's
24 whether it might lead to discoverable evidence
25 here. And asking Mr. Armstrong when he got the

1 money, how much he got and what he did with it,
2 might lead to discoverable evidence.

3 MR. WALTON: You represent the
4 church and the church is the entity that, that
5 wrote the checks. So, you know, your client knows
6 exactly when and exactly how much was delivered. I
7 mean, I'm not sure --

8 MR. WILSON: That's not true.

9 MR. WALTON: I don't see the
10 relevance.

11 MR. WILSON: The settlement was a
12 settlement with a group of people who were
13 represented by Mr. Flynn and Mr. Flynn was the one
14 who knew how much each of them got. The church did
15 not know how much each of the settling parties got.

16 MR. GREENE: And witnesses.

17 MR. WILSON: Whoever.

18 MR. WALTON: But how much, how is it
19 relevant? What's the --

20 MR. BENZ: If I can interrupt. I
21 don't think I can rule on this question because
22 this question is basically preliminary to the
23 contract. Now, if we get into -- depends on where
24 you go from there.

25 MR. GREENE: That's why I haven't

1 objected yet.

2 MR. BENZ: Okay.

3 MR. GREENE: I don't have any
4 problem with this preliminary question and Gerald
5 answering it. Whether it starts to go into other
6 lawsuits or not, I'm waiting to see.

7 MR. WILSON: I have no intention of
8 asking -- I mean, I want to know what happened to
9 the money. That's what I want to know. And that's
10 what the next question is going to be. It's not
11 going to be questions that would go to the issues
12 that you've raised in the other lawsuit about
13 consent, duress, et cetera, et cetera, et cetera.
14 I've already asked him about that in the other
15 lawsuit.

16 MR. GREENE: Go ahead and pose your
17 question. I'll make my objection if I deem it fit.

18 MR. WILSON: All right, good.

19 Q. Can you tell me what did you do with
20 the \$518,000?

21 MR. GREENE: As to that, I will
22 object. It's irrelevant. It's beyond the scope of
23 the complaint. Complaint alleges that Armstrong
24 developed his so-called fraudulent scheme and the
25 intent to execute that in 1990. We're in 1986;

1 it's irrelevant.

2 MR. WILSON: I want to know what he
3 had in 1990 and --

4 MR. GREENE: Well, ask him.

5 MR. WILSON: Well, I can ask him
6 that or I can try to find out what he had in 1990
7 by going back prior to that.

8 MR. GREENE: I object on the grounds
9 stated.

10 MR. WILSON: Go ahead. I think you
11 can rule on it.

12 MR. BENZ: Okay. I'll sustain the
13 objection as to detailed questions as to what
14 happened to assets. Again, as to what he had at
15 the time of the so-called transfers, is fine. It's
16 certainly relevant. While this may be one approach
17 to it, it's also an invasion of privacy and I think
18 there are other ways to get there.

19 MR. WILSON: All right.

20 Q. Then let's just go to 1990, and why
21 don't you tell me what you had in 1990, what were
22 your assets in 1990?

23 A. Cash, stock, personal effects.

24 Q. All right. Well, thank you. Can
25 you tell me what how much cash did you have, let's

1 say January of 1990?

2 A. I have no recollection.

3 Q. None at all?

4 A. No, I had some.

5 Q. No. I mean you had no recollection
6 of how much you had?

7 A. That's correct.

8 Q. All right.

9 A. I mean other than what I've already
10 testified to.

11 Q. If I ask you how much cash you had
12 in January of 1990, you don't have any idea; is
13 that right?

14 A. Uh-huh.

15 MR. WILSON: All right. Then I
16 think I ought to be able to go back and ask him
17 what happened to the money because he doesn't
18 remember what he had in 1990.

19 THE WITNESS: I already told you
20 what happened, what happened to the money. I've
21 told you in detail. I've told you every, every
22 possible thing that you could possibly get. There
23 aren't, there isn't anything more than what you
24 have.

25 MR. WILSON: So now you're telling

1 me that the --

2 THE WITNESS: There it is.

3 MR. WILSON: The day of the
4 so-called fraudulent conveyances, August 1990.

5 THE WITNESS: You now know every
6 debt that I forgave. You know where all the stock
7 went. You have my declaration, which is a sworn
8 declaration which lays it out in such detail you
9 can't believe. Now give it your best shot, prove
10 your case. You haven't got a case.

11 BY MR. WILSON:

12 Q. Well, we'll be out of here a lot
13 sooner if you just answer whatever I ask you.

14 A. Don't ask so many questions. We
15 could leave right now.

16 Q. The questions that I asked you
17 previously, which you, and when you gave me the
18 list of people that owed you money, that's all as
19 of August of 1990; is that right?

20 A. Correct.

21 Q. All right. How long had those loans
22 been outstanding approximately, how long had the
23 loan to Jerry Solfvin been outstanding?

24 A. Could have been a year, I'm not
25 sure.

1 Q. And the one to Mr. Walton?
2 A. Couple of years.
3 Q. Okay.
4 A. Maybe three.
5 Q. Two or three years, would that be a
6 good estimate?
7 A. Uh-huh.
8 Q. And the one to the Dawsons?
9 A. Maybe a couple of years.
10 Q. And the one to the Douglases?
11 A. I guess from -- although it changed
12 as we went through the property transfer matter,
13 there had been some, some debt which had existed
14 since '87.
15 Q. Okay. All right. Now, in August of
16 1990 what was your relationship with the Church of
17 Scientology, if any?
18 MR. GREENE: Objection, vague.
19 MR. WILSON: I don't think --
20 THE WITNESS: I was considered a
21 suppressive person, an enemy, fair game.
22 BY MR. WILSON:
23 Q. Okay. And that's your understanding
24 of how you were considered by the church; is that
25 right?

1 break?

2 THE WITNESS: Yes.

3 MR. WILSON: I guess we're taking a
4 break now.

5 (Recess taken.)

6 MR. WILSON: What was the last
7 question?

8 (Record read.)

9 THE WITNESS: Well, this was in the
10 beginning of August, and the crisis in the Middle
11 East began to develop and I sensed that it was a
12 very serious matter. And I guess really, inside
13 Scientology I was something of a -- for the
14 organization, I was something of a rebel inside and
15 I had begun to develop my own mind independent of
16 Scientology and began to think things through
17 myself.

18 And then when I left the
19 organization, I continued on in that direction and
20 I want, I guess I, you know, I've had a concern for
21 a long time about the state of the world. And I
22 also had begun to pursue a relationship with God.
23 And when this buildup began to happen and, you
24 know, I watched it like most of the people in this
25 country did on television day after day.

1 And being concerned, I asked what I
2 could do or what I should do, what was wanted of
3 me. I had already begun to understand the concept
4 of guidance and I had already, even prior to '86,
5 back in '84, I had considered that I could
6 communicate with God and that we had dialogue
7 sometimes and I was able to dialogue by writing.

8 And so at this time, as I sometimes
9 will do, I asked for guidance. And the message
10 that I got was to give everything away. Take only
11 what I need. And I didn't know what that really
12 meant in life at the time, but as I began to
13 meditate on that, I began to understand how that
14 really did apply to me. And it was at that time
15 that it came to me that I would forgive all the
16 debts that were owed to me and that I would take
17 only what I needed.

18 And I was at that time occupying the
19 house with Mr. Walton and I had a commitment to him
20 because I had, you know, essentially brought him up
21 to Marin County from Southern California. And I
22 had, I wanted to carry through on my commitment to
23 him and make good on that promise so that, that
24 really was why I ended up conveying the house to
25 him.

1 And I also was, as you know, the
2 owner of the, all the stock in my corporation at
3 that time which I had, I had developed some things.

4 But it really existed as a sort of a
5 future commercial hope at that time, and I had
6 transferred all of my writings and drawings and
7 stuff to the corporation in '88 and had maintained
8 it into this time in 1990. And I wanted to. That
9 was a major asset to me, and I thought at that time
10 that I would give that to four of my very good
11 friends in in the hope that they could or would do
12 with it whatever they wanted and it could be
13 commercially viable for all of them and a lot of
14 fun.

15 And so I didn't know about all the
16 details at the time, but I knew that, the broad
17 concept, and so I did, I went ahead on the basis of
18 that conviction that I could do something in life.

19 And then I did, as you know, I wrote
20 a series of articles or essays or letters regarding
21 the Middle East crisis as it built up. And being
22 unencumbered, I also offered, offered myself at
23 that time -- and this was something that, this was
24 not -- that aspect of it was not an original I had
25 at that time, because I had done the same thing

1 some years before. So it wasn't -- in a sense it
2 was, you know, precipitated by the Middle East
3 crisis and in a sense it was just a logical
4 progression and logical place that I came to after
5 everything else in my life had happened. And I
6 mean, there's no doubt in my mind that I have been,
7 I guess, both affected by my life with Scientology
8 and just who I am.

9 MR. WILSON: All right. Mark this,
10 would you please?

11 THE WITNESS: And I guess too, you
12 know, I really -- I think about things that -- and
13 you can probably know from the thought that I've
14 given money through the last many years, that I
15 recognize its intrinsic valuelessness. So that
16 was, you know, that had to kind of be in place in
17 order for everything else to happen.

18 But that's, that's an aspect of it.
19 And, you know, I have, I've not -- I really
20 believe, even though it's hard to see and although
21 sometimes it's difficult to continue to exist, I
22 think that all of my decisions along the way
23 evidence in fact guidance, and that I could not
24 have done it. I can't do this. I mean, I, you
25 guys beat me a long time ago.

1 MR. WILSON: Could you mark this,
2 please?

3 (Whereupon, Exhibit No. 1 was marked
4 for identification.)

5 MR. WILSON: Marked as Exhibit 1, I
6 only have two copies but I'll -- can you share one?

7 MR. WALTON: I'll look at his.

8 MR. WILSON: Can you share with
9 Gerry?

10 MR. GREENE: Fortunately, it's not
11 important.

12 MR. WILSON: It's not exactly a
13 major document here.

14 Q. Could you identify what's been
15 marked as Exhibit 1?

16 A. Yes.

17 Q. What is that please? Is that your
18 handwriting?

19 A. Yes.

20 Q. Okay.

21 A. And that was when, that's sometimes
22 how messages come to me and that's how that one
23 came to me and so it's a dialogue. Those are my
24 words. And of His words.

25 Q. By His words, you mean God's words?

1 A. Uh-uh.

2 Q. God's words are keep nothing, give
3 what you have to the poor and take only what you
4 need?

5 A. Yes.

6 Q. And so in giving away your assets,
7 you were following what God was telling you to do;
8 is that basically yes?

9 A. Uh-huh.

10 MR. GREENE: Please answer audibly,
11 Gerry.

12 MR. WILSON: And you shouldn't have
13 waived all those admonitions, Ford, and maybe he
14 wouldn't have done that.

15 Q. Now, so you basically kept nothing;
16 is that right?

17 A. Right.

18 Q. You gave everything to the poor?

19 A. Yes.

20 Q. So that means that you considered
21 Mr. Walton to be poor at the time?

22 A. Uh-huh. I, you know, that -- I,
23 myself asked that at the time, and when I looked
24 around at all of the people who were the recipients
25 of this, I saw that there wasn't any other way to

1 do it. That that was the logical way and that has
2 been borne out in truth.

3 Q. Did you --

4 A. Of people, a person should own where
5 he lives and that's where Michael Walton lives.
6 Michael Walton has a family now in that house, and
7 that's where the family should be.

8 Q. He didn't have a family then?

9 A. I don't live there.

10 Q. He didn't have a family then; is
11 that right?

12 A. Well, he, I mean he did, but --

13 Q. What was --

14 A. But the family had a somewhat
15 different configuration at this time.

16 Q. What was Mr. Walton's family in
17 1990?

18 MR. WALTON: I'm going to object to
19 that. I think it's irrelevant and I think it
20 invades my privacy. It has nothing to do with the
21 fraudulent transfers or allegations of fraudulent
22 transfers.

23 MR. WILSON: I'll withdraw that
24 question.

25 Q. What made you think that Mr. Walton

1 was poor in 1990?

2 A. Because he had a need and he was in
3 debt and he, in my opinion at the time, I think
4 that it was essentially a help. It took care of my
5 promise to him and it gave him the opportunity to
6 build a career from that point forward.

7 Q. Okay.

8 A. And to take care of his family. And
9 in truth, he really is the person who should be
10 there. I mean, I had a flash of it when I
11 considered initially buying the house, but I get
12 all sorts of flashes of things.

13 Q. Okay. Now let me just ask you in
14 addition to the house and the forgiveness of the
15 debt, what else did you give to Mr. Walton?

16 A. I think there were some, there were
17 some house things which I had owned individually.

18 Q. You mean that --

19 A. There was a table that was in the
20 house.

21 Q. Furniture?

22 A. Furniture, and that sort of thing.

23 Q. Was there a joint account you had
24 with Mr. Walton at that time?

25 A. Yes.

1 Q. And you gave what was in that to
2 Mr. Walton; is that right?

3 A. Correct.

4 Q. How much money was in that, as far
5 as you remember?

6 A. There may have been 35, \$40,000.
7 I'm not sure.

8 Q. And where was that joint account
9 maintained, what bank?

10 A. West American Bank.

11 Q. What branch?

12 A. San Anselmo.

13 Q. Okay. Did you give Mr. Walton
14 anything else that you haven't just told me about?

15 A. Share in the company, in the
16 corporation.

17 Q. Right, I'm sorry, I forgot that. In
18 addition to this, anything else?

19 A. No.

20 Q. So it was the house, whatever --
21 some furniture in the house, joint account, and one
22 share of TGAC?

23 MR. GREENE: And the debt.

24 MR. WILSON: And forgiving the debt.

25 THE WITNESS: Yes.

1 BY MR. WILSON:

2 Q. Is that right?

3 A. Uh-huh.

4 Q. Okay. Did you consider at the time
5 giving any of your assets to any charitable
6 organizations?

7 A. I considered.

8 Q. Why did you not give it to a
9 charitable organization, if there was a reason?

10 A. I wasn't guided to.

11 Q. When you say guided, you mean guided
12 by God; is that right?

13 A. Right.

14 Q. So you're -- essentially, you were
15 guided to give the assets by God to whatever you
16 gave it to; is that right?

17 A. Uh-huh.

18 MR. GREENE: You've got to say yes
19 or no.

20 MR. WALTON: Is that yes?

21 THE WITNESS: Yes.

22 BY MR. WILSON:

23 Q. Thank you. Now, in addition to --
24 we've already gone through some of this, and I
25 don't want to go through it again, I think I can do

1 it with just a couple of questions as to these
2 other people, the Dawsons, the Douglasses, and Jerry
3 Solfvin. When you forgave the debt, in your mind
4 that was giving away an asset; is that right?

5 A. Well, I didn't, I thought of it as
6 forgiving a debt.

7 Q. Okay.

8 A. So if that's -- I mean --

9 Q. Okay.

10 A. -- it's an asset, I suppose.

11 Q. Were you guided to do this as well?

12 A. Uh-huh.

13 Q. Okay.

14 MR. WALTON: Yes?

15 THE WITNESS: Yes.

16 BY MR. WILSON:

17 Q. For the same reasons that you've
18 just told us about for Mr. Walton; is that right?

19 A. Yes.

20 Q. Okay. In addition to forgiving the
21 debt, did you give Jerry Solfvin anything else?

22 A. No.

23 Q. In addition to forgiving the debt,
24 did you give the Douglasses anything else?

25 A. I got a share of the stock.

1 Q. In addition to that, did you give
2 them anything else?

3 A. I don't believe so.

4 Q. Okay. And the Dawson family in
5 Massachusetts, in addition to forgiving the debt,
6 did you give them anything else?

7 A. No.

8 Q. Okay. At the time of the, in August
9 of 1990, how would you characterize your
10 relationship with Mr. Walton?

11 A. We were friends and he also
12 represented me in the appeal in Armstrong 1. And
13 we had a prospective business relationship
14 regarding artistic or creative ventures.

15 Q. Okay. What was your relationship
16 with Michael Douglas in August of 1990?

17 A. Friends.

18 Q. That's it?

19 A. (Witness nods head.)

20 Q. And is Kim Douglas's wife?

21 A. Yes.

22 Q. They were just friends. How often
23 did you see them socially?

24 A. Maybe once a month.

25 Q. Okay. How about in August of 1990,

1 did you give Bambi Sparks anything?

2 A. Uh-huh.

3 Q. What did you give her?

4 A. I gave her a share of the
5 corporation and I gave her my car and I gave her
6 her home furnishings.

7 Q. Anything else?

8 A. Gave her some cash.

9 Q. How much cash did you give her?

10 A. I think it was like 1500 bucks or
11 something like that.

12 Q. What kind of car did you give her?

13 A. It's an '87 Toyota.

14 Q. All right. And what was your
15 relationship with her at the time, friends?

16 A. Friends.

17 Q. Did you use the car after you gave
18 it to her?

19 A. Uh-huh. We continued to hang out
20 together and she ended up not taking it but giving
21 it back.

22 Q. Then what did you do with it?

23 A. I still drive it.

24 Q. Okay. Who is Andrew Armstrong?

25 A. He's my brother.

1 Q. You gave him a share of stock in
2 TGAC?
3 A. No.
4 Q. Did you give him anything?
5 A. No.
6 Q. Did he ever buy stock in TGAC?
7 A. Yes. Oh, wait, no. He's -- you can
8 add-him to that list, I guess.
9 Q. Which one?
10 A. He -- the list of people who owed
11 me.
12 Q. Okay.
13 A. Owed me money.
14 Q. How much did he owe you?
15 A. I think, I think it was 12,000.
16 Something like that.
17 Q. All right. And you forgave that
18 debt in August of 1990?
19 A. Right.
20 Q. All right. And where does he live?
21 A. Somewhere around Denver, Colorado.
22 Q. Okay. Who is Thomas McPherson?
23 A. He's a friend of mine.
24 Q. Does he own any shares in TGAC?
25 A. Yes.

1 Q. Did he buy those shares?
2 A. Yes.
3 Q. Did you give him anything in August
4 of 1990?
5 A. No.
6 Q. Did you give him anything before
7 August of 1990?
8 A. No.
9 Q. Did he ever owe you any money?
10 A. No.
11 Q. All right. Who is Michael Dick?
12 A. He's a friend of mine.
13 Q. He owns a share in TGAC?
14 A. Yes.
15 Q. Did he ever owe you any money?
16 A. No.
17 Q. Did you ever give him any assets?
18 A. No.
19 Q. All right. How about Trevor Dick?
20 A. That's a friend and he owns a share
21 of TGAC, he and his brother Colin.
22 Q. Okay. Now you're going to save me
23 some time. So did you ever, did he or his brother
24 Colin ever owe you any money?
25 A. No.

1 Q. Forgive or forget any obligations
2 they had to you?

3 A. No.

4 Q. Did you ever give them any of your
5 assets?

6 A. No.

7 Q. How about Anthony Armstrong; is he
8 your brother?

9 A. Yes.

10 Q. Did he ever owe you any money?

11 A. No.

12 Q. He owns a share of TGAC?

13 A. Yes.

14 Q. Did you ever give him any assets?

15 A. No.

16 Q. Okay. Now, can you tell me with
17 respect to TGAC what assets you gave to TGAC when
18 you gave them to them?

19 A. I gave, I gave the corporation my
20 writings, my drawings, up to 1988, and my office
21 equipment and that sort of stuff.

22 Q. Okay. Did they, did TGAC give you
23 anything in return for that?

24 A. They gave me a hundred percent
25 ownership.

1 Q. Of the corporation?

2 A. Right.

3 Q. All right. So you basically
4 transferred your assets or those assets to the
5 corporation and you got all the stock?

6 A. Right.

7 Q. And then eventually the stock ended
8 up with the people I've just asked you about, the
9 Armstrong -- McPherson, Michael Dick, Trevor Dick,
10 Colin Dick, Anthony Armstrong, the Douglasses and
11 Mr. Laff; (phonetic) is that right?

12 A. Well, I'm not sure what you mean by
13 eventually, but at one time the stock was owned
14 completely by Michael Walton, Michael Douglas,
15 Lorien Phippeny and Nancy Roads. Subsequently the
16 corporation sold some stock and subsequently, those
17 four majority shareholders gave back to me a
18 majority stock.

19 Q. So do you, how much of TGAC stock do
20 you hold today?

21 A. Eighty percent.

22 Q. And Lorien Phippeny owns no shares
23 today; is that right?

24 A. Correct.

25 Q. Who is she, by the way?

1 A. She's a friend.

2 Q. Okay. Did you give her any assets
3 in August of 1990?

4 A. I've already told you she's the same
5 as --

6 Q. That's Bambi Sparks?

7 A. Right.

8 Q. All right. Nancy Roads, did you
9 give her anything in August of 1990?

10 A. Those shares of sock.

11 Q. That's it?

12 A. Correct.

13 Q. Nothing else. And you reacquired
14 that 80 percent ownership of TGAC by gift from
15 those people that you mentioned; is that right?

16 A. Correct.

17 Q. And that's, did each of those
18 individuals, before giving it to you, own 20
19 percent; is that what it was?

20 A. Correct.

21 Q. Each owned one share?

22 A. Well, there was a stock split and
23 what was one share got divided up into a hundred.

24 Q. So --


25 A. And so they each own 25.

1 STATE OF CALIFORNIA)
2) SS
3 COUNTY OF SONOMA)
4

5 I, SHEENAGH M. CARLSON, holding CSR License
6 Number 8350, hereby certify that, pursuant to
7 Notice to take the foregoing deposition, said
8 witness was by me duly sworn to tell the truth, the
9 whole truth and nothing but the truth in the
10 within-entitled cause; that said deposition was
11 taken at the time and place stated herein; that the
12 testimony of the said witness was recorded by me by
13 stenotype, and that the said deposition was under
14 my direction thereafter reduced to computer
15 transcript and, when completed, was available to
16 said witness for signature before any Notary
17 Public,

18 I further certify that I am not of counsel or
19 attorney for either of the parties to said depositi
20 nor in any way interested in the outcome of the cau
21 named in the caption.

22 IN WITNESS WHEREOF, I have hereunto set my
23 hand this day of Tuesday, March 29th, 1994.

24 
25 Sheenagh M. Carlson, CSR 8350
Certified Shorthand Reporter.

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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF MARIN

--oOo--

CERTIFIED COPY

CHURCH OF SCIENTOLOGY
INTERNATIONAL, a California
not-for-profit religious
corporation,

Plaintiff,

vs.

No. 157 680

GERALD ARMSTRONG; MICHAEL
WALTON; THE GERALD ARMSTRONG
CORPORATION, a California
for-profit corporation;
DOES 1 through 100, inclusive,

Defendants.

DEPOSITION OF

MICHAEL L. WALTON

FRIDAY, MARCH 18, 1994

202261

REPORTED BY: JOANNE M. FARRELL, CSR NO. 4838

1 can think of.

2 Q. Okay. At the time, beginning of
3 1990, had Mr. Armstrong loaned you any money?

4 A. Yes.

5 Q. How much was your debt to Mr.
6 Armstrong just prior to this house deal?

7 A. .. Something less than 30,000.-

8 MR. GREENE: Excuse me, could you -- I'm a
9 little -- strike that.

10 It's unclear what the time frame is, so I'd
11 object on the basis of ambiguity.

12 MR. WILSON: Early 1990.

13 THE WITNESS: Somewhere just under \$30,000.
14 I had borrowed 30,000 -- I borrowed 25 and then
15 another 5, probably in 1987, '86, '87, something
16 like that, and had paid back not a lot of it, a
17 couple thousand dollars or something.

18 MR. WILSON: Q. Were these loans
19 evidenced by promissory notes?

20 A. One was.

21 Q. Which one?

22 A. The 25,000.

23 Q. Do you know where the copy of that
24 note is today?

25 A. I know where the original is.

202279

1 was certain things he was keeping.

2 The kind of mind Gerry has, it was really
3 well within keeping with how I recognize his mind
4 to work with respect to me, that he would give
5 away his interest in the house; that he would give
6 away the ladder -- no, I don't think he gave away
7 the ladder. I think the house fund, which was the
8 fund that I ended up controlling, had to purchase
9 the ladder from Gerry, but that --

10 Q. What is the "ladder"?

11 A. It's a ladder, you crawl up. \$300
12 ladder, \$400, I don't know how much it cost. But
13 that the kitchen table would stay with the house.
14 It was very compartmentalized and it explains why
15 Gerry wanted to be compensated for money that he
16 spent out of his own private account by the house
17 account.

18 The house account wasn't really -- I don't
19 want to speak for Gerry, but it was my impression,
20 my own impression; that Gerry had the impression
21 that the house account was neither his nor was it
22 really mine, it was the house's account, and it
23 was there to support the house for one year.

24 And when he relinquished control, that's
25 what happened, that house account did continue to

202287

1 support the house for a year, because that's what
2 it was for.

3 Q. Okay. So I take it that you didn't
4 really give him any legal advice with respect to
5 giving his assets away; is that right?

6 A. No, I didn't.

7 Q. And you first learned about his plan
8 to give away most of his assets sometime in the
9 summer of 1990; is that accurate?

10 A. Yes; July or August.

11 Q. And you learned about that because he
12 told you?

13 A. Yes.

14 Q. Was this something that he mentioned
15 before, or did this pretty much just come up in
16 the summer of 1990?

17 A. Giving away his assets?

18 Q. Yes.

19 A. It came up for the first time, as far
20 as I knew, in 1990, the summer, for me.

21 Q. And your first discussions about it
22 would have been that time frame; is that right?

23 A. Yes.

24 Q. Did he tell you that he wanted to
25 give all of his money to the poor? Did he ever

202286

1 make that statement to you?

2 A. Not that I recall.

3 Q. Okay. Did he ever tell you what his
4 intentions were with regard to this, why was he
5 doing it?

6 A. Yes, he did.

7 Q. What did he say?

8 A. He said a number of things to me.
9 I'm trying to separate what I know now from what
10 he said yesterday at the deposition from what he
11 specifically told me at that time. Basically,
12 that it was right to do; he was guided to do it.

13 And over the course of time, I think I told
14 you this last time you took my deposition, I
15 questioned him at some length when I determined
16 that he was really serious to try to find out what
17 was going on.

18 I have known Gerry to become especially
19 depressed during some of this Scientology
20 litigation over the past 15, 14 years, has it
21 been, 14 years, and quite frankly, when he told me
22 he was going to do this, I was afraid he was going
23 to kill himself.

24 So I questioned him at some length to make
25 sure that this was something that was a positive

202289

1 thing for him and not something that was a
2 negative thing. My initial response when he told
3 me was fear. I was afraid for Gerry.

4 Upon pressing, upon further conversations
5 over the course of, I suppose, about two weeks,
6 Gerry told me that it was really something that
7 had come to him from God. And when he told me, it
8 was a positive, pleasant experience that he seemed
9 to be portraying. I felt much comforted and after
10 that, I didn't ask him much more about it.

11 Q. Okay. What did he give you?

12 A. He gave me whatever interest he had
13 in the house at that time; he gave me a kitchen
14 table; and I'm not sure about the ladder.

15 Q. Okay. And what about the debt, did
16 he forgive the debt?

17 A. Forgave the debt.

18 Q. That was at that time?

19 A. Right.

20 Q. Were there any documents executed to
21 show the forgiveness of the debt?

22 A. Yes.

23 Q. What?

24 A. There was the return of the original
25 note with some forgiving language. I don't

202290

1 remember what the language was. It was basically
2 something prepared by the CPA.

3 Q. That's the note that you referred to
4 earlier that you have?

5 A. Yes.

6 Q. The \$25,000 note?

7 A. Yes.

8 Q. The \$5,000 debt was not evidenced by
9 a note?

10 A. No.

11 Q. He just told you he was going to
12 forgive that?

13 A. Yes.

14 Q. Was there any document that evidences
15 that forgiveness?

16 A. No.

17 Q. And he transferred to you, in
18 addition, the house account; is that right?

19 A. He transferred control. And I say
20 that sort of strangely because I had control,
21 anyway. Both of our names were on the account to
22 begin with; that was part of the deal. I was
23 fully entitled to write checks against the account
24 at any time. And the only thing he really did was
25 say he wasn't going to write anymore checks on the

202291

1 account.

2 Q. Okay. And then he wanted to be
3 repaid from that account for monies spent on the
4 house for certain specific items; is that right?

5 A. Yes.

6 Q. His rationale for that was he wanted
7 to do what?

8 A. I don't know what -- I mean, I don't
9 know what he was thinking about. But I wasn't
10 surprised.

11 Q. All right. Did you prepare any
12 documents? Did you prepare the forgiveness
13 document?

14 A. No.

15 Q. Did you prepare the deed from
16 yourself and Mr. Armstrong as co-tenants to
17 yourself with respect to the house?

18 A. I think I did.

19 Q. Did you prepare any other documents
20 to evidence the gifts that he was making to you?

21 A. Not that I recall.

22 Q. Did you ever tell Mr. Armstrong that
23 he should get a lawyer other than you to represent
24 him in these transactions?

25 MR. GREENE: Objection. That is

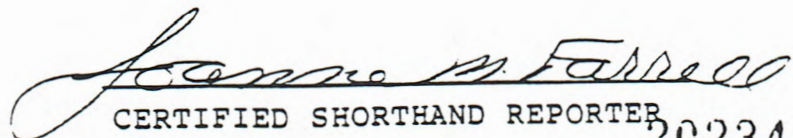
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CERTIFICATE OF REPORTER

I, the undersigned, a Certified Shorthand Reporter of the State of California, hereby certify that the witness in the foregoing deposition was by me duly sworn to testify to the truth, the whole truth, and nothing but the truth in the within-entitled cause; that said deposition was taken at the time and place therein stated; that the testimony of said witness was reported by me, a Certified Shorthand Reporter and disinterested person, and was thereafter transcribed under my direction into typewriting; that the foregoing is a full, complete and true record of said testimony; and that the witness was given an opportunity to read and, if necessary, correct said deposition and to subscribe the same.

I further certify that I am not of counsel or attorney for either or any of the parties in the foregoing deposition and caption named, nor in any way interested in the outcome of the cause named in said action.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed my signature this MAR 28 1994, 19


CERTIFIED SHORTHAND REPORTER 202348
STATE OF CALIFORNIA

8-20-90

Dear Andy:

By this letter you and Marilyn are forgiven any debt of any kind you may have considered you owed me. I know it doesn't immediately change things for you, but I hope it will bring you relief in some corner of your mind.

I still am planning to make my way to Colorado in mid September, so let me know if this works with your plans. I'd love to run your mountains.

I'll be leaving this

place soon, ⁽²⁾ although The
Gerald Armstrong Corporation
will continue to be
headquartered here, and
for now this will remain
my personal mailing address.

I hope to be in
B.C. around Labor Day.

I have a lot of
boxes don't I.

I also have a lot
of boxes and good
wishes for you guys.

Love

Gerry